



Indiana Deferred Compensation Committee

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**REVISED MINUTES
PUBLIC MEETING
WEDNESDAY, MAY 19, 2004
9:30 AM
INDIANA GOVERNMENT CENTER SOUTH
TRAINING ROOM 2**

I. Call to Order/Roll Call

The meeting was called to order by Jeff Heinzmann.

Members Present: Jeff Heinzmann, Secretary; Betsy Burdick; Mike Puro; Tom Williams.

II. Reading of the Previous Minutes

Betsy Burdick moved to approve the minutes, Mike Puro seconded, the minutes were unanimously approved.

III. Secretary's Report

The Linton Housing Authority has adopted the State 457 plan.

Jeff Heinzmann discussed the NAGDCA letter to the SEC and an identified summary of the mutual fund investigation given to the United States Senate Banking Committee Chairman, copies of which were provided to the Committee.

IV. Administrator's Report

In the absence of the Administrator Auditor Connie Nass, Jeff Heinzmann reported on the progress of the RFP. He expects for the RFP to be out within the next few weeks.

Also reported was the success of the first annual HR luncheon for state agency HR personnel, hosted by the Auditor and ING. The luncheon was held in April and received a positive response from participants.

V. March 31, 2004, Report of Third Party Administrator

Lesa Williamson and Patrick Tamm addressed the Committee on behalf of ING. Lesa touched on the success of the first annual HR luncheon and the great feed back she received from it. She mentioned that plans for the second annual HR luncheon have already begun.

Lesa Williamson also reported on monthly activities ING is putting on at the cafeterias in the North and South Government Centers. They have been manning information tables in order to promote the plan. She said the first month had a large response.

Lesa Williamson focused next on a letter that ING had sent out to the Mayors around the state and mentioned ING was doing follow-up in response to that mailing. The next step in ING's plan is to send out the same type of letter to the County Attorneys. Jeff Heinzmann clarified that the

letter was sent to the Mayors around the state whose cities were not already involved in a retirement savings plan.

Lesa Williamson finished her report with the announcement of plans for an ice-cream social for sometime this summer in order to reach out to State employees.

Mike Puro questioned Lesa about a letter that he received from ING. **Lesa explained that the letter was sent out by ING in order to highlight actions reported by ING in its 10-K filing and to notify participants that ING had met its regulatory obligations in response to recent State and Federal inquiries that have gone out across the mutual fund and plan administration industries.** Mike commented that he did not like the fact that he did not know about this letter or have any background information before participants received it, and that he would prefer to be given advanced notice so that he can comment more intelligently as a trustee. Lesa stated that ING would work to provide advance notice of such communications to all trustees when possible.

VI. March 31, 2004 Report re Indiana Stable Value Fund

John Finnegan and Chris Welker presented the quarterly Indiana Stable Value Fund report to the Committee.

VII. March 31, 2004 Report of Counsel

Mary Beth Braitman opened Ice Miller's report with discussion of plan document issues resulting from IRS actions.

Lisa Harrison then walked the committee through a handout outlining the issues to be discussed. After discussion with Ice Miller, Jeff Heinzmann made a motion to approve recommendations, Tom Williams seconded, the recommendations were unanimously approved.

VIII. March 31, 2004 Report of Mellon Consultants

Don Eibsen presented the Committee with the Mellon quarterly report detailing the performance of the funds. He brought attention to the plan hitting the 600 million mark last quarter. Don also stated he was comfortable taking AllianceBernstein off of the watch list.

The report repeated Mellon's belief that the Committee should drop the Fidelity International Growth & Income Fund and map the assets to the Fidelity Diversified International Fund.

The report was concluded and Mellon asked if there were any questions. Tom Williams asked why there was a larger number of 401(a) local participants vs. the State participants. Jeff Heinzmann explained that many of the local government plans do not have the money to fund a matching plan.

Betsy Burdick asked Don Eibsen on Mellon's thoughts on what should be done, if anything, about the bad performance of The Brown Capital Management Small Company Growth Fund. Don responded that the committee may want to look at other options if the poor performance continues. Don Eibsen said he would make an inquiry to Brown on the direction they are headed and make a report back to the Committee at the next meeting.

IX. Old Business

A. Investment Policy Statement

1. Incorporation of Changes from February meeting

Jeff Heinzmann began with the proposed version of the Investment Policy Statement. Mary Beth Braitman raised the question of changing the minimum credit to 10% in reference to page 9, section 3-A of the IPS and page 2.3 of the Delaware Investments report. It was clarified that the figures in the Delaware report referenced Delaware's portion of the Indiana Stable Value Fund only and not the Fidelity and SEI pieces. Jeff Heinzmann confirmed that the current Investment Policy Statement was therefore adequate and no changes were needed. Delaware committed that it will report on overall credit quality for the entire Stable Value Fund in future reports.

Betsy Burdick moved to approve the Investment Policy Statement as presented to the committee, Tom Williams seconded, the approval was unanimous.

2. Fund Replacement Procedures (draft resolution)

Gary Dankert presented a draft resolution which was discussed by Committee members and Mellon.

Mike Puro moved to adopt the resolution, Betsy Burdick seconded the motion, approval was unanimous.

B. Lifestyle Fund Allocations

1. Action on Issue concerning Fidelity International Growth & Income and Fidelity Diversified International Funds

Jeff Heinzmann reported that the Lifestyle Fund is undergoing back testing and remodeling and that discussion of the issue is moved to the next quarterly meeting.

C. International Equity Funds

1. Action on Issue concerning Fidelity International Growth & Income and Fidelity Diversified International Funds

The report began with Jeff Heinzmann reading through the proposed resolution to map the Fidelity Growth and Income Fund assets to the Fidelity Diversified International Fund. Mellon highly recommends the change.

Betsy Burdick moved to adopt the resolution; Mike Puro seconded the motion. The vote to pass the resolution was unanimous.

Jeff Heinzmann is to work with ING on a target date and will let the other committee members know when that takes place.

D. Outstanding Share Class Issues

1. Will map to Domini Social Equity Fund holdings to Class R shares

Jeff Heinzmann reported that the outstanding share class issue of changing to Domini R Shares would be addressed at the same time as the International Fund mapping process.

2. Awaiting decisions on Lifestyle and International Fund changes to do as much mapping at once as reasonable possible

- E. Participant Committee Members – Statutory Terms may expire June 30, 2004. Both are eligible for a second term if appointed to such by the State Board of Finance and will continue to serve pending any State Board of Finance action.

X. New Business

The Committee scheduled the fourth quarterly meeting date. They selected November 18, 2004.

XI. Adjournment

Jeff Heinzmann adjourned the meeting.



U.S. FINANCIAL SERVICES

Thomas J. McInerney
Chief Executive Officer

April 30, 2004

Dear ING Client:

Over the past year, you have probably seen troubling headlines about mutual fund trading practices at some of the largest and most respected financial services companies in the country. Because ING sells mutual funds both as stand-alone products and as part of other savings vehicles like annuities, I want to make sure you know our stance on these issues as well as findings from an internal review we are conducting of our businesses.

Like many financial services companies, ING has responded to inquiries from governmental and regulatory agencies looking into these issues. In addition, we also initiated an internal review of trading practices in ING insurance, retirement, and mutual fund products. The goal of this review has been to identify whether there have been any inappropriate trading in those products or inappropriate activity by ING investment professionals, senior management and others associated with ING.

As a result of our internal review we found that there were several arrangements in place that allowed third parties to engage in frequent trading of mutual funds within our variable insurance and mutual fund products; in one instance this involved late trading. In addition, we identified other circumstances where frequent trading by mutual fund/variable product customers occurred despite measures we took to combat market timing. We also identified two investment professionals who engaged in improper frequent trading in ING Funds. Most of these arrangements existed prior to ING's acquisition of the business, and since learning of them, ING has moved quickly to terminate the arrangements, discipline or terminate employees who were involved, and appropriately modify policies and procedures.

It is important to note that, while our review is not yet fully complete, the issues identified so far do not represent a systemic problem in our businesses. Further ING will reimburse any ING fund or fund shareholders impacted by inappropriate trading for any profits that resulted. Based on our review to date, we don't expect those amounts to be material.

While our review has turned up a relatively small number of issues, our position is that we cannot tolerate any questionable activity. We have taken a number of actions already to reinforce this view. The foundation of our business is built on trust and integrity, and we can't allow that trust to be violated. We want to do everything in our power to protect the interests of our customers, and toward that end, we'll be announcing additional changes to our employee Code of Conduct, to our employee trading policy and to our management investment/trading disclosure requirements. We will also be issuing clarification to our market timing policies.

ING understands that we must earn the trust and confidence of our clients every day. One way we will do this is by conducting our business with the highest standards of ethical conduct with zero tolerance for noncompliance.

Sincerely,

Thomas J. McInerney
Chief Executive Officer
U.S. Financial Services

**RESOLUTION OF THE INDIANA
DEFERRED COMPENSATION COMMITTEE**

WHEREAS, the Indiana Deferred Compensation Committee (the "Committee") is authorized pursuant to Indiana Code 5-10-1.1 to approve proposed investment products for the state employees' deferred compensation plan (the "Plan"); and

WHEREAS, the Committee has selected certain investment products to provide suitable investment options for participants; and

WHEREAS, these investment options are periodically reviewed by the Committee and its investment adviser pursuant to the Committee's Investment Policy; and

WHEREAS, one or more of the investment options may, now or in the future, be deemed inappropriate to continue as an option under the Plan; and

WHEREAS, the governing statute provides that the investment options or funding contracts shall be reviewed and selected by the Committee "based on a competitive bidding process as established by such specifications deemed appropriate by the deferred compensation committee." I.C. § 5-10-1.1-5; and

WHEREAS, the Committee has held a public meeting to discuss such process and specifications;

NOW THEREFORE, IT IS HEREBY RESOLVED THAT the following specifications are adopted as procedures for the replacement or the selection of funding vehicles (hereinafter "investment option") to provide investment options for participants in the Plan.

1. Investment options shall be selected in a public meeting following a competitive bidding process, which shall include at least the following:

(a) Development of an announcement of the bidding opportunity, providing sufficient detail as to the desired investment option, including the asset class, investment style and timing of the proposed selection, including reasonable selection criteria and providing bidders adequate time for response;

(b) Direct notification of the announcement to any manager of an investment option which the Committee's investment adviser believes, in its professional judgment, is a manager of an investment option meeting the Committee's selection criteria and which the adviser recommends as a suitable investment option; and

(c) Publication of the announcement in appropriate Indiana publications and appropriate national publications as the Committee deems appropriate for the investment option being considered.

2. In the event of an emergency needing immediate action by the Committee with respect to an Investment Option, the Committee may terminate the Plan's contract with an investment option provider, and move participant's accounts, pending an updated appropriate replacement investment option, to the Indiana Stable Value Fund, until such time as the Plan receives an investment direction from the participant.

Approved this 19th day of May, 2004

IN WITNESS WHEREOF, the undersigned have executed this Resolution.

Date

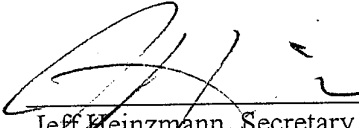
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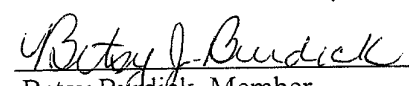
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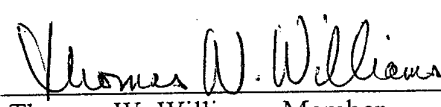
5/19/2004
Date

Michael Gery, Chair


Jeff Heinzmann, Secretary


Michael S. Puro, Member


Betsy Buddick, Member


Thomas W. Williams, Member